

experienced by SNET. The secondary technology market available to SNET is the same as that available to the rest of the industry. SNET's experience with it cannot deviate significantly from that of its peers. Therefore, the use of the FCC FNS values provides the Department a reasonably balanced approach to examining FNS values.

Consistent with its consideration of PLIFE values, the Department employed a set of FNS values using the mid-point of the FCC range in instances where that mid-point FNS value is greater than the FNS value proposed by SNET. Where the FCC mid-point FNS value is less than that proposed by SNET in this proceeding, the Department used SNET's proposed FNS value. Table D in the Appendix to this Decision contains the FNS values used by the Department in this proceeding. As discussed in detail in Section D, below, the Department used these FNS values and the PLIFE values as described above to calculate a composite depreciation rate. The adjustments to the FNS and PLIFE values that will be allowed to recognize Connecticut specific conditions is discussed below.

D. ILLUSTRATIVE CALCULATION AND ALLOWED ADJUSTMENTS

Based upon information provided in this proceeding, use of the PLIFE and FNS values as described above (listed in Tables A and D in the Appendix) will provide a composite depreciation rate of approximately 7.7%. The Department is of the view that an additional allowance should be provided to reflect more recent (since 1/1/95) changes in SNET's asset base and for unrecognized external factors in the new competitive environment to provide for an 8.0% composite depreciation rate cap.

The Department acknowledges, however, that while using the FCC mid-points is an acceptable proxy for current market conditions and regulatory treatment, such mid-points do not necessarily reflect the conditions that may be existent within Connecticut for any particular asset group. Therefore, upon resolution of the reserve deficiency issue in this proceeding, the Department will permit SNET to adjust the PLIFE value of any asset group or groups within the FCC prescribed range shown in Table C attached so long as any change in the actual PLIFE value to be employed by SNET does not move above or below the end of any range shown in Table C and the aggregate effect of such changes does not produce a depreciation rate in excess of 8.0%.

Moreover, the Department notes the provisions of Conn. Gen. Stat. § 16-247k (a)(5). In discussing the Department's obligations in reviewing a plan of alternate regulation, it states that :

The Department shall approve the proposed or modified plan only if it finds that such plan . . . (5) insures that the investment risk associated with the provision of competitive and emerging competitive services by the telephone company shall not be borne by customers of noncompetitive services.

The depreciation expense eventually authorized by the Department in Docket No. 95-03-01 is dependent upon the findings, conclusions and orders issued in this proceeding. Accordingly, it is incumbent upon the Department to ensure that the dictates of the above-referenced statute are applied in this proceeding. The Department believes that adoption and modification of the FCC PLIFE values satisfactorily meets the requirements set forth in Conn. Gen. Stat. § 16-247k (a)(5).

The Department will also permit SNET to reassign FNS values for any individual asset group in a manner similar to that permitted under the terms and conditions outlined for treatment of PLIFE values described above. Therefore, upon resolution of the reserve deficiency issue in this proceeding, the Department will permit SNET to adjust the FNS value of any asset group or groups within the FCC prescribed range shown in Table D attached so long as any change in the actual FNS value to be employed by SNET does not move above or below the end of any range shown in Table D and the aggregate effect of such changes does not produce a depreciation rate in excess of 8.0%.

This approach to PLIFE and FNS values reduces the probability of any prolonged reserve deficiency in the future and affords SNET a reasonable opportunity to fully recover its investment as it recognizes the current competitive impacts on SNET's technology base. Although the recovery mechanism is substantially different than that envisioned by SNET in its proposal and by the other participants in this proceeding, it is fair and equitable to all of the interested participants in this proceeding.

The Department will order in this Decision that SNET file its PLIFE and FNS values in accordance with this Decision within 7 days of the issuance of the Final Decision in this proceeding. All future cost studies must reflect the PLIFE and FNS values that are submitted in that filing.

E. EQUAL LIFE GROUPS (ELG)

In Docket No. 89-12-05, SNET requested permission of the Department to replace its use of Vintage Group (VG) accounting practices with Equal Life Group (ELG) accounting techniques in determining the PLIFE of asset groups. At the time of the Department's Decision in that proceeding, 39 other states employed Equal Life Group accounting as standard practice. The Department denied SNET's request at that time on the basis that ELG was unnecessary and unreliable. In Docket No. 92-09-19, SNET reiterated its preference for ELG over the VG techniques and again requested permission of the Department to convert its account groups accordingly. Evidence presented in that proceeding showed that 40 states were then employing ELG techniques to varying degrees. The Department subsequently granted SNET's request for the next triennial period (1993-1996) with renewal consideration at the time of the next represcription proceeding. SNET's Depreciation filing in this proceeding does not directly address the issue of renewed consideration for ELG. While the Department

questions SNET's decision to leave this issue unaddressed, requiring a formal request by SNET to employ ELG techniques and thus delaying the issue to a future docket is not a prudent use of the Department's, SNET's or OCC's resources. OCC did not object to continued use of ELG techniques on a going-forward basis. The Department will authorize continued use of ELG in SNET's calculation of PLIFE values.

Of greater concern, however, is the decision by SNET to retroactively apply ELG techniques to calculate its projected reserve deficiency of \$744.0 million. SNET's first request to use Equal Life Group techniques was denied by the Department in Docket No. 89-12-05. While the Department approved SNET's use of ELG on a going-forward basis in Docket No. 92-09-19, SNET's restatement of its reserve deficiency back to 1983 by using ELG accounting techniques is inappropriate. Accordingly, the Department will not permit any representation of a reserve deficiency that utilizes Equal Life Group for time periods prior to 1993.

SNET has taken extraordinary license with the Department's orders. In liberalizing the accounting rules available to SNET in Docket No. 92-09-19, the Department was of the opinion that some managerial discretion over accounting issues was warranted. However, concluding that those rules permitted restatement of SNET's deficiency reserve back to 1983 in terms of Equal Life Groups is well beyond mere interpretation. Any recurrence of such representations or restatements will be deemed sufficient indication that stringent regulatory supervision will be required in any future regulatory framework approved by the Department.

F. RESERVE DEFICIENCY

1. Reserve Deficiency Generally

The reserve deficiency is the amount by which an asset group's theoretical depreciation reserve exceeds its actual depreciation reserve. The theoretical depreciation reserve is the amount of depreciation a company would have cumulatively accrued if it had depreciated an asset at a rate calculated by using the most recently determined and/or allowed life data regarding that asset. The actual depreciation reserve is the accumulation of the actual depreciation expense, accrued over the life of the asset.

When it has been determined that the life of an asset has changed, one of two changes will occur to the asset's depreciation rate. If the life decreases, the depreciation rate will increase. Conversely, if the life increases, the depreciation rate will decrease. In instances where the life of the asset has decreased, causing an increase in the depreciation rate, the theoretical reserve will be calculated to reflect the use of the new rate since the asset was placed in service. Accordingly, the theoretical reserve will be higher than the actual reserve for that asset and a deficiency will exist. In cases in which the depreciation rate decreases and the actual reserve exceeds the theoretical reserve, a reserve surplus exists.

OCC maintains in this proceeding that a reserve deficiency does not exist and, therefore, the Department need not do anything which would improve the level of financial benefit derived by SNET from depreciation. The Department, however, finds that, despite regulatory efforts to reduce the level of deficiency, such efforts have not yet been fully successful. Therefore, the Department reaffirms its opinion in Docket Nos. 89-12-03 and 92-09-19 that a reserve deficiency exists and will most likely continue to exist. This issue will be addressed in Docket No. 95-03-01.

In preparing for this proceeding, SNET calculated its current depreciation reserve deficiency to be \$744.0 million as of January 1, 1995. Sadek Testimony, p.2. OCC performed a separate study that it called a "Tech Plan Deficiency" study to determine what it believed to be the impact of I-SNET. This study's results concluded that the SNET reserve deficiency should be \$874.0 million. Majoros Testimony, p. 29. NECTA urged the Department to adopt a reserve deficiency of \$88.0 million, based on SNET's currently authorized depreciation rates. NECTA Brief, p. 19. SNET's calculation of \$744.0 million represents a significant increase above the \$125.0 million depreciation reserve deficiency reported for the period ending January 1, 1993. Response to Interrogatory TE-88. Upon examination of the two projected deficits, it is evident that SNET changed the methods of calculating the deficiencies for the two periods without any explicit direction from the Department to do so. As discussed above, in calculating the January 1, 1995 balance, SNET reconstituted its depreciation rates using Equal Life Grouping techniques substantially restating its reserve deficiency for the period 1983 to 1995. The January 1, 1993 deficiency of \$125.0 million was calculated using Vintage Group accounting techniques for the same period. The table below better illustrates how the change and restatement of historical deficiencies increased the theoretical value so significantly:

Changes as a Result of Changes in:	With ELG From 1983 Forward ⁷	With ELG Since Last Depreciation Proceeding⁸	Difference
Future Net Salvage	\$147,000,000	\$147,000,000	\$ - 0 -
PLIVES	431,000,000	431,000,000	- 0 -
ELG	<u>166,000,000</u>	<u>9,000,000</u>	<u>157,000,000</u>
Totals	<u>\$744,000,000</u>	<u>\$587,000,000</u>	<u>\$157,000,000</u>

The cumulative reserve deficiency is estimated to be increasing by \$56 million per year. SNET Exhibit VMD-1. Accordingly, the Department must address two major

⁷ Late Filed Exhibit No. 4.

⁸ Late Filed Exhibit No. 15.

issues in the determination of the reasonable balance of SNET's reserve deficiency: the method used to develop the PLIFE values that govern the reserve balance and the use of ELG.

As the Department noted above, the represcription process, in its traditional form, ordained a relationship between the PLIFE of an asset group and the group's reserve deficiency. This occurred because the theoretical reserve of an asset group was based on the same mortality curve that was used to determine the group's PLIFE. SNET's calculation of reserve deficiency was based on the PLIFE and FNS data that was submitted calculated with the TSA approach.

Upon examination of the testimony provided in this proceeding and that submitted at the FCC in other proceedings, the Department concludes that any historical correlation that may have previously existed between PLIFE values and the theoretical reserves of a respective asset group is no longer relevant. Public Act 94-83 mandates the identification of SNET's reserve deficiency as an integral part of transitioning Connecticut from a monopoly environment to an economic climate characterized by increased competition among various telecommunications services providers. To achieve that state of competitive participation, historic life indications are sufficiently reliable, provide reasonably accurate estimates of useful life and are relatively stable components. Although the technology substitution approach offers some attraction, the Department is unwilling to employ it in this application because of its singular reliance upon the assumed effects of competition on investment. For the purpose of calculation of SNET's reserve deficiency, however, the Department believes that the competitive effects on lives of asset groups should be considered. Once that has been done, the appropriate curves can be used to develop the applicable theoretical reserves for the asset groups. The reasoning behind this conclusion goes to the intent of the Act, that is, the opening of the Connecticut telecommunications to competition, while at the same time protecting the general public from potentially subsidizing development of products and services sought only by a small number of potential users or subsidizing costs associated strictly with the provision of other than noncompetitive services. Accordingly, technology substitution analysis (TSA) should be used in the development of this valuation, because, as noted above, TSA is primarily driven by competitive considerations and the purpose of the Act is to implement competition.

Based upon an amended application of ELG to the reserve deficiency, the Department finds SNET's December 31, 1994 reserve deficiency of \$587.0 to be reasonable because, as discussed above in the analysis of PLIFE values, the technology substitution approach recognizes the effects of competition on asset lives. This amount also identifies the deficiency as SNET prepares to face open market competition.

2. Amortization of SNET's Reserve Deficiency

In the instant proceeding, SNET proposes to set aside its total reserve deficiency and place it in a "Unique Deferred Asset account." Sadek Testimony, p. 5. The proposal is an unprecedented act by SNET and has never been considered or employed in any other state jurisdiction. Response to Interrogatory TE-27. OCC concurs with SNET's proposal. Majoros Testimony, p. 27. SNET also proposed that the "Unique Deferred Asset Account" remain in its rate base. Sadek Testimony, p.5. In essence this action does not remove any unrecovered costs from SNET's books but segregates the costs for easy identification.

SNET states that the principal purpose of this filing is to determine the amount of SNET's intrastate depreciation reserve deficiency, which is part of its overall financial picture. The results of this proceeding will provide an important input to the financial examination of SNET's financial position being conducted in Docket No. 95-03-01 and any associated alternative regulatory framework approved in that proceeding. After examination of SNET's proposed treatment of reserve deficiency, the Department finds that the use of excess earnings to reduce the depreciation reserve deficiency is in direct accord with provisions of Public Act 94-83 and warrants the Department's support. Sadek Pre-filed Testimony, p. 2. As ordered herein, SNET shall record a \$587,000,000 reserve deficiency on its books. SNET shall make such book entry effective as of January 1, 1995. The entry shall credit accumulated depreciation and debit a unique deferred asset account.

However, the full impact of SNET's offer to retain the Unique Deferred Asset Account in the rate base cannot be adequately measured based on the evidence placed on the record of this proceeding. The Department believes that it would be inappropriate to make that determination at this time and will consider this issue in the context of Docket No. 95-03-01.

IV. FINDINGS

1. The Remaining Life method provides the ability to efficiently and effectively accommodate changes in the useful life of any plant investment subsequent to the time of initial investment.
2. If the Department allowed use by SNET of a theoretical reserve deficiency figure rather than an actual reserve deficiency figure when calculating the Depreciation Rate, a serious decrease in SNET's annual depreciation expense, based on the PLIFE values and FNS values provided for in this Decision, could result.
3. The formula prescribed in Docket No. 92-09-19 for determining the rate of depreciation for any category or group of assets continues to be appropriate.

4. The analytical tools and techniques employed by SNET in performing historic life analysis as authorized in the May 24, 1993 Interim Decision, Docket No. 92-09-19, p. 10 does not require revision.
5. SNET's proposal in this proceeding to use technology substitution analysis in place of historic life analysis is based principally on competition.
6. Competition is emerging in the Connecticut market, but technological competition evidenced in Connecticut is in its infancy.
7. Improvement to the current depreciation treatment is warranted to better reflect present SNET operating conditions.
8. Using historic performance data to determine the projected useful life of any technology investment has been beneficial to the public and has not been injurious to SNET and will continue to provide a useful framework for determining the useful life of assets or asset groups.
9. Selective application of information produced under the technology substitution method is also appropriate and is not inconsistent with the Department's past practices.
10. The FCC PLIFE and FNS value ranges are based on the current treatment of virtually all telephone companies' regulated investments and those companies are experiencing comparable technological and economic pressures as SNET.
11. Empirical studies are the primary means by which the PLIFE values submitted to the FCC were calculated
12. Use of the FCC PLIFE and FNS mid-points is an acceptable proxy for current general market conditions and regulatory treatment, but such mid-points may not reflect the conditions that exist for any particular SNET asset group.
13. The reasonable balance of SNET's December 31, 1994 reserve deficiency is \$587,000,000.
14. It is appropriate to provide for the recognition of the change in economic conditions as they apply to depreciation rates.
15. For the purpose of calculation of SNET's reserve deficiency, the competitive effects on lives of asset groups should be considered.
16. The TSA study approach should be used in the development of reserve deficiencies.

17. It is inappropriate to use ELG to calculate SNET's reserve deficiency for periods where that method was not approved by the Department.

V. CONCLUSION AND ORDERS

A. CONCLUSION

Based on the record in this proceeding, the modification provided for under this Decision will provide SNET a composite depreciation rate of 8.0%. That, in the opinion of this Department, is both a fair and reasonable response to the requests made by SNET and the concerns expressed by the other participants in this proceeding. Accordingly, SNET is hereby ordered to undertake the necessary adjustments to its depreciation methodologies, PLIFE values and FNS values in accordance with directions provided for in this Decision as well as the prescribed adjustments to treatment of its reserve deficiencies, subject to the orders set forth below.

The Department has concluded in this proceeding that the issue of depreciation has become inordinately burdensome on the part of all interested parties including this Department and that in the future alternative means of addressing the issue must be identified and implemented if the legislative intent of Public Act 94-83 is to be achieved and the public is to benefit. The provisions made in this proceeding represent a significant, but necessary, departure from the past practices of both this Department and the regulatory community. It is the hope of this Department that in according some additional discretionary authority to SNET in the precise application of this Decision, SNET will act responsibly.

B. ORDERS

For the Orders below, please submit an original and six (6) copies of the requested material, identified by Docket Number, Title and Order Number to the Executive Secretary. Where orders require SNET to file detailed numeric data, SNET shall additionally submit the required data in acceptable electronic spreadsheet format.

1. SNET shall establish PLIFE values and FNS values for intrastate purposes consistent with this Decision.
2. SNET shall calculate revised average service lives, remaining lives, average net salvage and depreciation rates consistent with the PLIFE values and FNS values established in Order 1, above.
3. SNET shall file with the Department revised statements A, B, C, and D, consistent with the revised remaining lives calculated pursuant to Order No. 2 above. The above statements shall be filed no later than 7 days after issuance of

the Final Decision in this proceeding. Specifically, the statements should conform to the following criteria:

- a. Statement A shall utilize December 31, 1994 actual reserve levels and PLIVES and FNS values consistent with this Decision.
 - b. Statement B shall utilize SNET's asset base as of July 1, 1996, to calculate additional expense associated with new depreciation rates.
 - c. Statements C and D shall use PLIFE and FNS values consistent with the \$587,000,000 reserve deficiency determined in this proceeding.
 - d. Statements A, B, C and D shall be used to update schedules C-3.23 and C-3.24 in Docket No. 95-03-01. 4. SNET shall use the actual depreciation reserves as of December 31, 1994 to calculate the remaining life depreciation rate in the revised statements A, B, C, and D.
5. SNET shall use the rates contained in the revised statements A, B, C, and D filed in accordance with this Decision as the basis for recording intrastate depreciation from January 1, 1996 through December 31, 1996 and for the years ending December 31, 1997 and 1998.
6. Consistent with its proposal in this proceeding, SNET shall record a \$587,000,000 reserve deficiency on its books. SNET shall make such book entry effective as of January 1, 1995. The entry shall credit accumulated depreciation and debit a unique deferred asset account..
7. As of January 1, 1996, SNET is authorized to continue use of ELG in its calculation of PLIFE values.
8. SNET shall apply to the Department in December 1998 for a triennial intrastate depreciation represcription that will be effective for the years ending December 31, 1999, 2000, and 2001.
9. Until its next intrastate depreciation represcription, SNET shall use the depreciation rates prescribed as a result of this Decision as the basis for determining depreciation expense in all proceedings before the Department.
10. Until its next intrastate depreciation represcription, all cost studies submitted by SNET to the Department shall be based on the PLIFE and FNS values established in Order 1, above.
11. If in any future proceeding before the Department, SNET proposes to use a depreciation rate other than that rate prescribed in this docket, SNET shall present evidence in that proceeding supporting the appropriateness of the proffered substitution. Additionally, SNET shall calculate the difference caused by the proposed deviation from prescribed depreciation rates and shall include that calculation in its filing.

12. SNET shall provide the Department with copies of all correspondence to and from the FCC regarding the its depreciation rates, policies, procedures and any other related subject matter.

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APPENDICES

TABLE A**PLIVES**

ASSET GROUP	DOCKET NO. 92-09-19⁹	SNET PROPOSAL¹⁰	EMPIRICAL LIFE¹¹	DPUC VALUE USED
Motor Vehicles	9.2	8.9	9.0	8.9
Garage Work Equipment	20.0	12.0	21.5	15.0
Other Work Equipment	10.0	10.0	16.5	10.0
Buildings - Large	45.0	45.0	45.0	45.0
Buildings - Small	30.0	30.0	30.0	30.0
Furniture	18.0	11.0	18.0	17.5
Office Support Equipment	14.0	10.0	14.0	12.5
Co. Comm. Equipment	10.5	7.0	10.0	8.5
Gen. Purpose Computers	8.0	6.0	8.5	7.0
Analog Electronic Switches	1996.8	1997.3	1997.3	1997.3
Digital Electronic Switches	17.0	11.0	17.5	17.0
Operator Systems	6.0	6.0	7.5	6.0
Digital Data Systems	12.0	N/A		
Digital Circuits	11.5	9.4	14.5	11.5
Analog Circuits	10.0	9.6	12.5	9.6
Public Telephone	9.8	7.6	7.6	8.5
OTE - Tel & Misc	9.1	5.0	9.1	6.5
Poles	40.0	35.0	45.0	35.0
Aerial Cable - Met	24.0	11.0	31.0	23.0
Aerial Cable - Non-Met	32.0	30.0	30.0	30.0
Undrgrnd Cable - Met	25.0	11.5	47.0	25
Undrgrnd Cable - Non-Met	35.0	30.0	30.0	30.0
Buried Cable - Met	26.0	12.5	51.0	23.0
Buried Cable - Non-Met	32.0	30.0	30.0	30.0
Submarine Cab. - Met	22.0	19.5	54.0	22.0
Submarine Cab.-Non-Met	40.0	30.0	30.0	30.0
Intrabldg Ntwrk - Met	23.0	12.5	15.0	22.5
Intrabldg Ntwrk - Non-Met	32.0	30.0	30.0	30.0
Conduit	55.0	55.0	111.0	55.0

⁹ Per Response to Interrogatory TE-95, Statement E

¹⁰ Per Response to Interrogatory TE-95, Statement E.

¹¹ Per OCC Exhibit MJM-3.

TABLE B

TECHNOLOGY PLAN

Summarization Of SNET Technology Plan

On April 11, 1995, SNET filed its revised I-SNET Technology Plan (I-SNET). The Company filed the original I-SNET plan on December 29, 1994. The plan describes I-SNET as a full service network that can provide a full suite of voice, data and video services. The goal of the I-SNET plan is the transformation of Connecticut's existing infrastructure into a robust, multifunctional core capable of supporting a variety of information, communication and entertainment applications.¹² I-SNET will supersede the Company's existing infrastructure and address the State's emerging, broadband, communications requirements. The Company states that the existing telecommunications infrastructure is a contemporary one, capable of providing high quality voice-oriented communications.¹³ Additionally, it readily supports a variety of existing data communications applications. As customer requirements and communications technologies evolve to support other modes of communication, and as sweeping industry changes introduce competition and impose new open-access requirements, new and varied communications requirements will be imposed on the infrastructure. These functional requirements will range from narrowband (for voice and "low-speed" data applications) to broadband (for video and "high-speed" data applications). I-SNET is necessary to meet these imminent requirements and to support the above noted range of communications services.¹⁴

The I-SNET plan proposes to deploy of over 200,000 plant miles of broadband transmission media,¹⁵ comprised of optical fiber and coaxial cable. The statewide deployment of survivable Synchronous Optical Network (SONET) interoffice transport systems, digital switching, Signaling System Number 7 (SS7), Advance Intelligent Network (AIN) and Integrated Services Digital Network (ISDN) capabilities by 1999 will complement the fiber and coaxial installation. The complete timeframe for this enormous installation of infrastructure spans a period beginning in 1994 and ending in 2009.¹⁶

Analog and digital switches combine to form the backbone of SNET's current switching network. During the 1994-1999 timeframe, that electronic aggregate will evolve to a streamlined, all digital platform complemented by ISDN-based digital

¹² I-SNET, Introduction & Overview, p. 4

¹³ I-SNET, Introduction & Overview, p. 4

¹⁴ I-SNET, Introduction & Overview, p. 5

¹⁵ I-SNET, Introduction & Overview, p. 5

¹⁶ I-SNET, Introduction & Overview, p. 6

access, SS7 signaling and AIN call control. Broadband infrastructure deployment will begin with:

1. The total migration of the interoffice transport network to a SONET-based digital broadband platform;
2. Initial broadband switch deployment (for data and video applications) with AIN-like call control capability;
3. Full deployment of the broadband operations management platform.

According to the Company, these activities will result in the retirement of:

1. The embedded base of analog switches and asynchronous interoffice transmission systems;
2. Significant portions of the embedded base of digital switching system;
3. Asynchronous loop transmission systems;
4. Copper loop plant;
5. Associated variety of common and complimentary systems and subsystems.

During the 2000-2004 timeframe, broadband modernization will continue which will result in expanded broadband access to 84% of Connecticut's access lines. The Company will introduce multimedia (voice, data, video) - optimized broadband switching systems in the network.¹⁷ This will both leverage and further the switching consolidation efforts that began in the 1994-1999 timeframe.

During the third and final stage, a 2005-2009 timeframe, I-SNET deployment will be completed. At this time, the infrastructure will have been transformed to an end-to-end broadband network, capable of providing the entire suite of full service network capabilities to all Connecticut subscribers. At the completion of the I-SNET deployment period, the existing embedded based of copper cable, circuit, switching, computing and associated common and complimentary assets will have been replaced and subsequently retired. Over the I-SNET timeframe, the network infrastructure will evolved from the current 125 switching locations that comprised of 145 switches to a sparse network structure consisting of 41 switching locations containing approximately 50 switches.¹⁸ This consolidation will facilitate evolution to a unified, broadband, multi-media network based on SONET transport and Asynchronous Transfer Mode (ATM) switching as defined by the evolving broadband-ISDN architecture.¹⁹ The tables on the next page summarize the major milestones associated with the transition to the broadband infrastructure and I-SNET deployment objectives.²⁰

¹⁷ I-SNET, Introduction & Overview, p. 7.

¹⁸ I-SNET, Introduction & Overview, p. 6.

¹⁹ I-SNET, Introduction & Overview, p. 6.

²⁰ I-SNET, Introduction & Overview, p. 6.

Timeframe	Milestone
1994 - 1999	<ul style="list-style-type: none"> • Digital Switching Modernization • SS7 Signaling Modernization • Narrowband AIN Service Control Modernization • ISDN Access Modernization • SONET Broadband Transport Modernization • Broadband Operations Modernization • Broadband Access Modernization Initiated • Overlay Broadband Switching Initiated • AIN-like Broadband Service Control Initiated • Switching Consolidation Initiated
2000 - 2004	<ul style="list-style-type: none"> • Continued Broadband Access Modernization • Continued Switching Consolidation • Integrated Broadband Switching Initiated • Integrated Service Control Initiated
2005 - 2009	<ul style="list-style-type: none"> • Broadband Access Modernization Completed • Integrated Broadband Switching Completed • Integrated Service Control Completed

	Percentage of Access Lines			
Technology	Year of 1994	Year of 1999	Year of 2004	Year of 2009
Digital Switching	60%	100%	100%	100%
Broadband Transport	20%	100%	100%	100%
Broadband Access	0%	70%	85%	100%

TABLE C
FCC RANGES²¹

ASSET GROUP	PLIFE (low)	PLIFE (high)	PLIFE (mid)	FNS (low)	FNS (high)	FNS (mid)
Motor Vehicles	7.5	9.5	8.5	10.0	20.0	15.0
Garage Work Equipment	12.0	18.0	15.0	0.0	10.0	5.0
Other Work Equipment	12.0	18.0	15.0	0.0	10.0	5.0
Furniture	15.0	20.0	17.5	0.0	10.0	5.0
Office Support Equipment	10.0	15.0	12.5	0.0	10.0	5.0
Co. Comm. Equipment	7.0	10.0	8.5	-5.0	10.0	2.5
Gen. Purpose Computers	6.0	8.0	7.0	0.0	5.0	2.5
Digital Electronic Switches	16.0	18.0	17.0	0.0	5.0	2.5
Operator Systems	8.0	12.0	10.0	0.0	5.0	2.5
Digital Data Systems	7.0	11.0	9.0	-5.0	10.0	2.5
Digital Circuits	11.0	13.0	12.0	0.0	5.0	2.5
Analog Circuits	8.0	11.0	9.5	-5.0	0.0	-2.5
Public Telephone	7.0	10.0	8.5	0.0	10.0	5.0
OTE - Tel & Misc	5.0	8.0	6.5	-5.0	5.0	0.0
Poles	25.0	35.0	30.0	-71.0	-50.0	-61.5
Aerial Cable - Met	20.0	26.0	23.0	-35.0	-10.0	-22.5
Aerial Cable - Non-Met	25.0	30.0	27.5	-25.0	-10.0	-22.5
Undrgrnd Cable - Met	25.0	30.0	27.5	-30.0	-5.0	-17.5
Undrgrnd Cable - Non-Met	25.0	30.0	27.5	-20.0	-5.0	-12.5
Buried Cable - Met	20.0	26.0	23.0	-10.0	0.0	-5.0
Buried Cable - Non-Met	25.0	30.0	27.5	-10.0	0.0	-5.0
Submarine Cable - Met	25.0	30.0	27.5	-5.0	0.0	-2.5
Submarine Cable - Non-Met	25.0	30.0	27.5	-5.0	0.0	-2.5
Intrabldg Ntwrk - Met	20.0	25.0	22.5	-30.0	-5.0	-17.5
Intrabldg Ntwrk - Non-Met	25.0	30.0	27.5	-15.0	0.0	-7.5
Conduit	50.0	60.0	55.0	-10.0	0.0	-5.0

²¹ Per Response to Interrogatory TE-103

TABLE D

FUTURE NET SALVAGE (%)

ASSET GROUP	DOCKET NO. 92-09-19²²	SNET PROPOSAL²³	OCC PROPOSAL²⁴	DPUC VALUE USED
Motor Vehicles	8.0	7.0	7.0*	8.0
Garage Work Equipment	0.0	0.0	0.0*	0.0
Other Work Equipment	2.0	2.0	2.0*	2.0
Buildings - Large	-5.0	-60.0	-5.0	-5.0
Buildings - Small	-5.0	-67.0	-5.0	-5.0
Furniture	2.0	2.0	2.0*	2.0
Office Support Equipment	0.0	0.0	0.0*	0.0
Co. Comm. Equipment	3.0	0.0	0.0*	2.5
Gen. Purpose Computers	2.0	2.0	2.0*	2.0
Analog Electronic Switches	0.0	-4.0	0.0	0.0
Digital Electronic Switches	0.0	-4.0	-1.0	0.0
Operator Systems	0.0	0.0	0.0*	0.0
Digital Data Systems	0.0			
Digital Circuits	0.0	-5.0	0.0	0.0
Analog Circuits	-6.0	-5.0	-5.0*	-6.0
Public Telephone	1.0	0.0	0.0*	1.0
OTE - Tel & Misc	0.0	-5.0	-5.0*	0.0
Poles	-71.0	-75.0	-71.0	-71.0
Aerial Cable - Met	-20.0	-29.0	-16.0	-20.0
Aerial Cable - Non-Met	2.0	-10.0	-16.0	-20.0
Undrgrnd Cable - Met	-12.0	-16.0	-7.0	-16.0
Undrgrnd Cable - Non-Met	-6.0	-10.0	-7.0	-10.0
Buried Cable - Met	-9.0	-24.0	-17.0	-9.0
Buried Cable - Non-Met	0.0	0.0	-17.0	-9.0
Submarine Cable - Met	0.0	-23.0	-23.0*	-2.5
Submrine Cable - Non-Met	0.0	0.0	0.0*	-2.5
Intrabldg Ntwrk - Met	-27.0		-26.0	-26.0
Intrabldg Ntwrk - Non-Met	0.0	-33.0	-26.0	-26.0
Conduit	-32.0	-40.0	-6.0	-32.0

* FNS values where the OCC agreed with the SNET proposal

²² Per Response to Interrogatory TE-95, Statement E.

²³ Per Response to Interrogatory TE-95, Statement E.

²⁴ Per OCC Exhibit MJM-1.

**DOCKET NO. 94-10-03 DPUC INVESTIGATION INTO THE SOUTHERN NEW
ENGLAND TELEPHONE COMPANY'S INTRASTATE
DEPRECIATION**

This Decision is adopted by the following Commissioners:

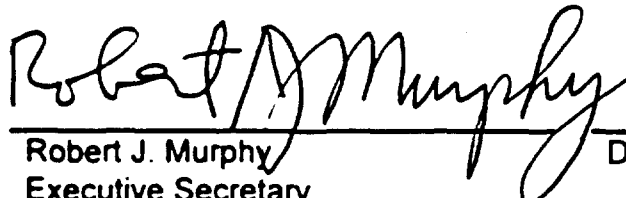
Thomas M. Benedict

Reginald J. Smith

Jack R. Goldberg

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Department of Public Utility Control, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



Robert J. Murphy NOV 22 1995
Executive Secretary Date
Department of Public Utility Control